# LEGISLATIVE SERVICES AGENCY
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## FISCAL IMPACT STATEMENT

**LS 7158** | **NOTE PREPARED:** Jan 7, 2013
**BILL NUMBER:** HB 1522 | **BILL AMENDED:**

**SUBJECT:** Homestead Benefits for Property Sold by Contract.

**FIRST AUTHOR:** Rep. Smith M | **BILL STATUS:** As Introduced
**FIRST SPONSOR:**

**FUNDS AFFECTED:** **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local


**Summary of Legislation:** This bill provides that property being sold under an installment contract does not qualify for various homestead property tax benefits unless the installment contract satisfies certain requirements, including that the contract transfer legal title and ownership of the property to the buyer once the buyer pays the contract price.

The bill provides that a seller of real property, a mobile home, or a manufactured home that sells the property using a qualified installment contract may not claim the homestead deduction for that property. It provides that a contract for the sale of real property (excluding mobile homes and manufactured homes) that is entered into after May 31, 2013, must specify the total contract price for the sale of the real property in order to qualify for homestead property tax benefits.

The bill also consolidates duplicate provisions setting conditions for granting of deductions for homestead property being sold under an installment contract into a single Indiana Code section.


**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary*: Beginning with taxes payable in CY 2014, this bill would result in a fiscal impact only in a case where a current or future property purchase contract does not meet the requirements under this bill. If a contract does not meet these requirements, then the various property tax deductions currently granted to the property would be terminated. Without the deductions, the net assessed value of the property would increase which would add to the tax base and reduce tax rates. In addition, if the standard deduction is removed from a property, then taxes on the property would be capped at the 2% residential cap rate rather than the 1% homestead cap rate.

The higher property tax cap on the nonqualified property would potentially reduce revenue losses from the circuit breaker for taxing units where the property is located. The reduced tax rates would also cause a further reduction in circuit breaker losses for civil taxing units and school corporations.

*Background*: Under current law, several property tax deductions are available to qualifying persons who either own property or are buying the property under contract. This bill would affect the mortgage, elderly, blind/disabled, disabled veteran, WWI veteran (and surviving spouse), rehabilitation, solar thermal, wind device, coal conversion, hydroelectric, coal combustion product, and homestead standard deductions.

In order to qualify for these deductions, this bill specifies that the contract for real property, a manufactured home, or mobile home must (1) be enforceable, (2) require the buyer to pay property taxes, (3) be recorded, and (4) for contracts entered into after May 31, 2013, specify the total contract price.

**State Agencies Affected:**

**Local Agencies Affected:** County auditors; County recorders; Local civil taxing units and school corporations.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.